

**IN THE CHANCERY COURT OF LEWIS COUNTY  
AT HOHENWALD, TENNESSEE**

In Re: Sentinel Trust Company

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) Case No. 4781  
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**RECEIVER'S MOTION FOR APPROVAL OF TRANSFER OF  
PRE-MAY 18<sup>TH</sup> FIDUCIARY INVESTMENT ACCOUNTS WHEN  
SUCCESSOR PAYING AGENT OR TRUSTEE IS APPOINTED**

Through Notice of the Honorable Kevin Lavender, Commissioner of the Tennessee Department of Financial Institutions, filed with the Court on June 18, 2004, Sentinel Trust Company has been placed into liquidation. In relation to this liquidation, the Receiver plans to solicit bids from third parties within the relevant industry to assume the functions which Sentinel Trust had been providing to the bond issues it had been dealing with. See T.C.A. §45-2-1504(c). With regard to several bond issues, Sentinel Trust is the pre-May 18, 2004 holder of investments that have been continuously and separately designated and held, in trust, for purposes of debt payment for particular bond issues. The proceeds of these segregated investments are to be used for refunding of issues and payment of scheduled debt on the issues. Attached as Exhibit A to the Affidavit of Vivian Lamb (which is attached as Exhibit 1 to this motion) is a listing of pre-May 18<sup>th</sup> fiduciary investment accounts (updated as of June 22, 2004) held by Sentinel Trust for debt payment for the particular bond issues noted. To the Receiver's knowledge, the amounts set forth and held in the noted fiduciary investment accounts have always been maintained separately and have always been held in conjunction with a specific bond issue. Lamb Affidavit at ¶s 3-4.

As referenced earlier, the Receiver intends to invite bids from qualified third parties to assume the functions that Sentinel Trust has been providing to bond issuers and bondholders. Particularly in relation to a third party assuming the role of successor trustee and/or paying agent to a particular bond issue, that third party will have to have assurance that the pre-May 18<sup>th</sup> fiduciary investments separately held and identified to a specific bond issue would be transferred along with the transfer of the responsibilities of being the successor trustee and/or paying agent. It will be of critical importance for the Receiver, when providing information to interested third parties, to, at the same time, inform those third parties that the fiduciary investments held for any particular bond issue will “follow” that bond issue when transferred to a successor trustee and/or paying agent.

The pre-May 18<sup>th</sup> fiduciary investment holdings, which are set forth in the attachment to the Lamb Affidavit, are shown as fiduciary assets held by Sentinel Trust. Under T.C.A. §45-2-1504(a), approval of this Court is needed prior to any transfer of an asset over \$500 in amount. Through this Motion, the Receiver seeks an order of Court that would state that the fiduciary investments identified in Exhibit A to the Lamb Affidavit can and will be transferred to any third party that assumes the position of successor trustee and/or paying agent to the particular bond issue.

The requested relief will have no impact upon the balance or disposition of the funds currently held in the Sentinel Trust SunTrust pooled cash account. Moreover, the requested relief is consistent with the treatment dictated by regulations governing various of the fiduciary investments. For example, approximately \$17.5 million segregated and held on behalf of various bond issues, are held in State and Local Government Series securities or “SLGS.” Lamb Affidavit at ¶ 5. Federal regulations that address SLGS investments indicate that transfers of

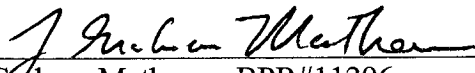
SLGS from one type of account to another type of account are prohibited. See 31 CFR § 344.2(d) (copy attached as Exhibit 2). Accordingly, because the SLGS have been held on behalf of a particular bond issue for specific debt payment purposes on that bond issue, those investments cannot be used for anything else -- they must remain and be held for the purpose of refunding/making payment on the particular bond issue.

The Comptroller of the Treasury of the State of Tennessee has been very interested in the disposition of the municipal bond issues that are subject to the Sentinel Trust liquidation. Attached as Exhibit 3 is the Affidavit of Mary-Margaret Collier (Director of the Division of Bond Finance, Office of Comptroller of the Treasury for the State of Tennessee), wherein Ms. Collier states that whomever assumes the role of successor trustee or paying agent over the various municipal bonds must have control of the segregated fiduciary investments identified with each particular municipal bond issue. Collier Aff. at ¶ 5. Ms. Collier further states the use of the identified fiduciary investments for any other purpose would result in not having funds available for payment on or refunding of the particular municipal bonds -- the specific purpose for which those investments had been segregated and held, in trust. Such would result in harm to the specific bondholders and specific bond issuer. But, in addition, such would cause injurious limitations for Tennessee municipal bond issues in the market place and/or would cause increased costs which ultimately would be visited upon Tennessee taxpayers. Collier Aff. at ¶¶ 6-11.

Accordingly, the Receiver moves the Court for an Order which allows that the segregated fiduciary investments, listed on Exhibit A to the Lamb Affidavit as being held on behalf of a particular bond issue, be transferred to any third party that assumes the position of successor

trustee and/or paying agent of the particular bond issue for which the fiduciary investment(s) is/are being held.

Respectfully submitted,

  
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**This Motion Will Be Heard By the Court, Sitting in Chancery, in Hohenwald,  
Tennessee on Monday, July 12, 2004 at 9:00 a.m.**